

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE PETITION OF)
DELAWARE DIVISION OF THE PUBLIC)
ADVOCATE TO REDUCE THE RATES OF)
REGULATED UTILITIES AS A RESULT) PSC DOCKET NO. 17-1240
OF THE TAX CUTS AND JOBS ACT OF)
2017'S REDUCTION IN CORPORATE)
INCOME TAXES AND OTHER TAX)
CHANGES (FILED DECEMBER 27, 2017))

ORDER NO. 9318

AND NOW, this 31st day of January, 2019:

1. On December 22, 2017, the President signed the Tax Cuts and Jobs Act of 2017 ("TCJA"), which became effective on January 1, 2018. The TCJA represents the first significant change in the United States federal tax laws since the 1986 Tax reform Act. Among other things, the TCJA: (1) reduces the federal corporate income tax rate from 35% to 21%; (2) allows full and immediate expensing of short-lived capital investments for five years; and (3) increases the expensing cap from \$500,000 to \$1 million.

2. The Delaware Public Service Commission ("Commission") has long included in a regulated utility's operating expenses an amount of federal corporate income tax equal to what the utility would pay if it were a stand-alone company. For many years, the Commission has included in regulated utilities' operating expenses an amount of federal corporate income tax equal to 35%, and has deducted from those utilities' rate base a corresponding amount of Accumulated Deferred Income Tax ("ADIT") pursuant to 26 Del. C. §102(3).

3. On December 27, 2017, the Delaware Division of the Public Advocate ("DPA") filed a petition with the Commission requesting the

Commission to open a docket to examine whether the current rates of its regulated utilities required reduction as a result of the TCJA. The DPA contended that unless the Commission reduces rates in an amount that corresponds to the benefits that the TCJA confers on the utilities, Delaware regulated utility ratepayers will be paying unjust and unreasonable rates. The DPA requested the Commission to direct each regulated utility to file an estimate of its determination of the TCJA's effects on its cost of service, and to propose a procedure for changing rates to reflect those impacts, on or before March 31, 2018. Additionally, should the Commission determine that any utility's rates require reduction as a result of its review of the utility's submission, the DPA asked the Commission to open a docket for each utility for which it made such a determination, and to establish a procedural schedule for conducting an evidentiary hearing regarding the TCJA's impacts on the utility's operations and existing rates.

4. On January 16, 2018, in Order No. 9166, the Commission granted the DPA's petition. It directed each rate-regulated public utility to file an estimate of its determination of the TCJA's effects on its cost of service for the most recent test year available (including new rate schedules) and to propose a procedure for changing rates to reflect those impacts on or before March 31, 2018. It also ordered that if it determined that a utility's rates required reduction, it would open a new docket for each utility for which it made such a determination and would establish a procedural schedule for conducting an evidentiary hearing regarding the TCJA's impacts on the utility's operations and existing rates. The Commission exempted Delmarva Power & Light Company

("DPL") from this order, instead directing that the effects of the TCJA on DPL's electric and natural gas base rates would be addressed in DPL's pending base rate cases, Docket Nos. 17-0977 and 17-0978.

5. On January 19, 2018, the DPA filed a motion to direct regulated utilities to create regulatory liabilities reflecting the Delaware jurisdictional revenue requirement impacts of the TCJA effective February 1, 2018 while the Commission determines whether a utility's rates required reduction and, if so, the amount of such reduction. The DPA contended that in order to preserve the rate-reducing effects of the TCJA until the Commission approves new rates for the utilities, a regulatory liability must be created; otherwise, the prohibition against retroactive ratemaking would deprive ratepayers of the benefits accruing from the TCJA between its effective date and the date on which Commission-authorized new rates become effective. The DPA noted that the reduction of the federal income tax rate from 35% to 21% benefits ratepayers by reducing one of the elements of a utility's cost of service that goes into calculating a utility's revenue requirement by 14%.

6. On February 1, 2018, in Order No. 9177, the Commission granted the DPA's motion and directed all Delaware rate-regulated public utilities to create regulatory liabilities reflecting the Delaware jurisdictional revenue requirement impacts of the changes in the federal corporate income tax laws, in order to protect ratepayer interests until such time as the TCJA benefits are appropriately reflected in customers' rates and to avoid retroactive ratemaking.

7. On March 22, 2018, Long Neck Water Company, Inc. ("Long Neck") complied with Commission Order No. 9166 and submitted an estimate of its determination of the TCJA's effects on its cost of service for the most recent test year available (including new rate schedules) and to propose a procedure for changing rates to reflect those impacts. It further submitted a proposal for returning the regulatory liability created pursuant to Commission Order No. 9177 to ratepayers.

8. The DPA and Commission Staff have reviewed Long Neck's filing. The DPA, Staff and Long Neck have agreed, subject to the Commission's consideration and approval, that Long Neck's volumetric rates shall be reduced to reflect the reduction of the federal corporate income tax rate from 35% to 21%, and to refund the Excess Deferred Income Tax ("EDIT"), as follows:

	Current Rate	New Rate
Residential	\$2.74 per 1000 gallons	\$2.16 per 1,000 gallons
Commercial	\$2.74 per 1,000 gallons	\$2.16 per 1,000 gallons
Fire Protection	\$6.30 per Quarter	\$4.95 per Quarter

See Tariff Sheets attached hereto as Exhibit 1.

9. The DPA, Staff and Long Neck have further agreed that, subject to the Commission's consideration and approval, the regulatory liability created pursuant to Order No. 9177 for the tax collected from February 1, 2018 through the effective date of these rate changes shall be returned to ratepayers via a credit on ratepayers' bills during the period April through June 2019.

10. On January 31, 2019, the Commission considered Long Neck's new proposed rates at its regularly-scheduled meeting.

NOW, THEREFORE, BY THE AFFIRMATIVE VOTES OF NO FEWER THAN THREE COMMISSIONERS, IT IS HEREBY FOUND AND ORDERED:

1. Pursuant to 26 Del. C. § 304(a), the Commission finds good cause to waive the 60- days' notice of proposed rate changes and to waive the public notice requirement to allow these rate changes to become effective with usage on and after March 1, 2019. Good cause exists because the proposed changes are a decrease in rates, which benefits Long Neck's ratepayers, and because Long Neck has been on notice since the Commission issued Order Nos. 9166 and 9177 that the Commission would examine the effect of the TCJA on its rates.

2. The Commission hereby approves the proposed reductions in Long Neck's volumetric and fire protection rates set forth on the tariff sheets attached hereto as Exhibit 1, effective with usage on and after March 1, 2019.

3. The Commission hereby further approves the return of Long Neck's regulatory liability created pursuant to Order No. 9177 for the tax collected from February 1, 2018 through the effective date of these rate changes to ratepayers via a credit on ratepayers' bills during the period April through June 2019.

4. The Company shall file its Excess Deferred Income Tax Workpapers by March 31, 2019 for an audit and true-up of the Company's claimed annual amortization rate.

5. The Commission reserves jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chairman

James Haraway

Commissioner

Helene [unclear]

Commissioner

[Signature]

Commissioner

(KFDrexler)

Commissioner

ATTEST:

Donna Dickerson

Secretary



GENERAL METERED SERVICE

APPLICABILITY

Applicable for general metered residential, commercial, irrigation, industrial, municipal and sales for resale service throughout the entire territory served by the Company. The charge for general metered service shall consist of the total of the Facility Charge and the Water Charge.

FACILITY CHARGE

All general metered water service customers shall pay a facility charge based on the size of each meter installed by the Company. Customers with multiple meters shall be charged for each meter at the indicated rate. Whenever service is established or is discontinued all applicable facility charges shall be prorated to date of establishment or discontinuance of service.

<u>Size of Meter</u>	<u>Per Month</u>	<u>Per Quarter</u>
5/8"	\$ 13.50	\$ 40.50
3/4"	19.89	59.67
1"	33.79	101.37
1-1/2"	67.75	203.25
2"	108.33	324.99
3"	202.69	608.07
4"	337.81	1,013.43
6"	676.00	2,028.00
8"	1,081.00	3,243.00

WATER CHARGE

In addition to the Facility Charge set forth above, a charge will be made for all water used as registered by the meter.

<u>Gallons Per Month</u>	<u>Gallons Per Quarter</u>	<u>Rate Per 1,000 Gallons</u>
All	All	\$ 2.16

TERMS OF PAYMENT

Bills for general metered water service furnished under this schedule will be rendered either quarterly or monthly, at the option of the Company, and are due immediately upon receipt. The facility charge portion of the bill will be billed in advance. The water charge portion of the bill will be billed in arrears based upon actual meter readings.

PUBLIC FIRE HYDRANT CHARGES

APPLICABILITY

Where fire hydrants are installed, such districts will be termed Fire Hydrant Districts. A service charge of \$ 4.95 per quarter will be added to the regular facility charge as indicated on Revised Sheet No. 17 on all services in these districts. Apartment houses, hotels, motels, and other multiple unit buildings will be charged one such hydrant charge of \$ 4.95 for every four units.

PRIVATE FIRE FACILITIES CHARGES

Customers with a dedicated Private Fire Service line are charged a Private Fire Monthly or Quarterly Facilities Charge based on the size of the service line diameter. The frequency of the charge will be at the discretion of the Company.

The Private Fire Facilities Charge is as follows:

<u>Service Line Size</u>	<u>Monthly Charge</u>	<u>Quarterly Charge</u>
4"	\$ 220.00	\$ 660.00
6"	450.00	1,350.00